Final July 26, 2006

White Paper

Category: Allocation of Funds

Issue: 2/3 Facilities 1/3 Activities (safety net)

Problem:
There is currently no equity in the allocation formula between facilities and activities. The current allocation has been in statute since 1995, although the percentages have generally been used since 1987. Since then, increased understandings about the causes of water quality impairments and the solutions have prompted another look at how a change in allocating funds can help get to clean water.

The historical culture about water quality funding has always emphasized the facilities side of things. However, a new generation of water quality experts has increasingly engaged in efforts to control nonpoint sources of pollution. Some of these nonpoint control efforts include:

- Education;
- Restoration;
- Planning;
- Research;

and all the variants associated with them.

The immediate financial need for Nonpoint projects is greatly increasing. However, the long-term need for financial hardship communities is increasing as costs increase and as we allow stormwater projects to be funded.

Background:
Current rule states that 2/3s of the competitive funding is set aside for facilities hardship grants, and 1/3 is set aside for nonpoint activity grants, however, there is concern that the allocation does not accurately describe the "real" fiscal needs that are required to control water quality impairments.

- In the 2006 draft offer list, there were $3,103,973 worth of unfunded nonpoint projects with scores of 700 or higher; hardship facilities projects with scores of 699 or lower received $6,525,967 worth of funding.

- The 2002 water quality assessment had 2,372 listings of impaired waters. Of those, conservatively 2102 can be attributed to nonpoint sources of pollution, or roughly 88.6%.

- Of the total land use in Washington State, roughly 86% is typically considered in the nonpoint source category (agriculture, forestry, range, barren land); 3.5% is urban land, and of that, untreated storm water runoff from impervious surfaces is still considered nonpoint source pollution.

Recommendations to solve this problem:

Two majority options and one minority option:

1. Leave the allocation as 2/3 for Facilities and 1/3 for Activities.
2. Change the allocation to 50% for Facilities and 50% for Activities.
3. ***(Minority opinion):*** *Allow the application to determine where the funds are spent.*

Pros and Cons

2/3-1/3

- **Pros**
  - lower sewer rates for hardship communities
  - can provide funding for hardship communities' stormwater permit activities
- **Cons**
  - funding does not follow priority ranking
  - several good non-point projects are not funded
  - may result in further struggles to meet 319 match
  - fewer non-point projects funded due to decreasing availability of CCW and 319 dollars

50/50

- **Pros**
  - would help meet 319 match requirements
  - help address more non-point source water quality problems across the state
  - equitable portion of grant funds would address both point and non-point sources
  - addressing more non-point sources may improve facility influent and reduce the need to upgrade treatment plants
  - more funding would be available for nutrient trading projects that reduce the need for costly facility upgrades
  - more TMDL projects could be funded (a majority of TMDLs are non-point related)

- **Cons**
  - may increase competition for hardship funding between permitted stormwater activities (for both primary and secondary permittees) and facility upgrades
  - higher sewer rates for communities
  - may delay facilities projects as less communities receive grants
  - may not fully carry out the intent of the statute

Alternatives

CRO came up with an idea to flex the allocations: 50% + or - 10%. This would allow more flexibility and would work like this:

- In years where there is a demand for more hardship dollars, there would be 60% grant available to facilities and 40% to non-point.
- In years where there is not a demand for hardship, as much as 60% would go to non-point sources and 40% to point sources.
- In years where there is an even demand, then each source would receive 50%.

Attachment 1
The TMDL connection

As an effort to support the white paper, we reviewed 17 EPA-approved TMDL reports written since 2000. 13 TMDLs consisted of mostly load allocations, which are assigned to non-point sources of pollution. 4 TMDLs primarily involved wasteload allocations for stormwater. Only 2 TMDLs currently underway (not yet approved by EPA) that we reviewed are dominated by wasteload allocations for point-sources of pollution: Spokane and Wenatchee. However, both of these TMDLs may involve some sort of pollutant trading, where non-point source controls are emphasized so that costly upgrades are not mandatory.

Approximately 90% of all TMDLs are load allocations, that is, nonpoint source TMDLs.

Solving nonpoint source pollution can also improve the quality of influent coming into wastewater treatment plants, thereby reducing the number of costly treatment plant upgrades. For example:

1. As part of the Lower Okanogan PCB/DDT TMDL implementation, a sewer investigation study was conducted for the Okanogan wastewater treatment plant (WWTP). The study revealed increased concentrations of PCB/DDT in sediment at an apple packing plant. The contaminated sediment was also found at the manhole where the apple packer waste water enters the sewer system. Therefore, the study concluded that it would be easier to treat the PCB/DDT problem at the packing plant rather than at the WWTP. Options to reduce sediment from reaching the apple packing plant and the WWTP are being discussed.

2. The Walla Walla Toxics TMDL found that less than five percent of the PCB concentration in Mill Creek and Garrison Creek is coming from the Walla Walla and College Place WWTPs, respectively. Yet, both WWTPs are required to receive a waste load allocation in the TMDL. The TMDL states that the majority of the cause is non-point source related. The presence of the PCBs in the WWTP effluents is thought to be coming into and passing through the system. Therefore, the WWTPs have been encouraged to look at non-point sources that may be contributing to the WWTPs influent.

Attachment 2
Water Quality Financial Needs Survey
Provided by Eric Luengo

Background of the survey:

- The survey takes a "snapshot" of the WQ financial needs as of January 1, 2004
- Basic financial needs survey eligibility test = is it SRF eligible?
- Survey could only include what EPA deemed eligible:
    - EPA had a large list (25-30) plans that they approve of, which included: comprehensive sewer and water plans, capital improvement plans, our WQ Financial Assistance applications, etc.
    - Each documented need is certified by a Professional Engineer
    - Eric used our FY 03 and FY 04 applications:
        - The recipients who applied for FY 03 and didn't get funded and who re-applied in FY 04 were only counted once.
        - The applications included everything from WWTP upgrades to Nonpoint activities
        - Stormwater projects were split between facilities and activities
- This survey included all "capital needs"

Limitations of the survey

- The list of approved documents by EPA was limiting, especially for nonpoint needs.
- NRCS data showed **more** needs for nonpoint than for facilities. But, the EPA rejected the NRCS data because it does not meet .
  NRCS data was mainly for agricultural nonpoint needs.
    - Example of how NRCS came up with its financial needs: If a particular segment of stream was not meeting WQ standards, and there was a livestock operation on that land, then they calculated how much fencing it would take to fence out the livestock. They then calculated the cost of fencing per foot and achieved the total cost for that segment.

Conclusions

- Between our WQ Financial Assistance Applications and the NRCS data, the immediate financial need for nonpoint activities far exceeds the immediate needs for facilities.
    - Facilities' needs were based on 20 years (life of a facility), whereas the nonpoint needs were immediate.